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Rural Lines

RURAL ELECTRIFICATION ADMINISTRATION • U. S. DEPARTMENT OF AGRICULTURE

JUNE
1957

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A Message from the

ADMINISTRATOR

What bit of advice would you give to the 1,358,600 graduates who will be marching out of our high schools this year? Would you attempt to guide them toward specific careers or just tell them to "hitch your wagon to a star"?

These question are pertinent now because I have the job and privilege of addressing the 1957 graduate class of the high school in Sterling, Colorado, from which I was graduated 31 years ago.

I have decided to urge two points on the Sterling graduates:

(1) Get into public service, either on a full or part-time basis. This might be work with a civic organization, a cooperative, or some branch of government.

(2) Do not be afraid to change to another line of work that promises greater satisfaction or challenge.

I would urge every 1957 graduate to consider public service as a career. We are taking steps into the atomic age, hoping that we can guide this great power in a way to benefit mankind rather than destroy it. To cope with this and other growing problems, we must have men and women willing to give public service. Brain power is as urgently needed in public service as it is in our scientific endeavors.

The other point is made because our youth may be oversold on job security. As a Nation, we would be much poorer, if young people decided to "play it safe" in a so-so job rather than accept the risks that go with a change. We have many examples in public life and business which show that a change can bring wonderful new opportunities to an individual and increase his value to all society.

As I prepared my notes for the talk, it occurred to me this advice would be good for all of us who are interested in the continued sound development of rural electric and telephone systems. We, too, should be willing to meet our civic obligations and accept changes which bring progress.

David G. Hamill

Administrator.

Loan Security Requirements

FIVE factors or requirements will be REA's guide in determining that there is adequate security for loans to all types of telephone borrowers.

These five factors are:

1. A reasonable assurance of obtaining the telephone market on which the proposed system design is based.

2. A finding that the proposed system is economically feasible with application of rate schedules that are appropriate for the area to be served.

3. A determination that the experience, community standing, and general reputation of the principal owners and manager of the borrower are satisfactory.

4. A first lien on the borrower's total system or other adequate security.

5. The acceptance of specified managerial and financial controls in the loan security documents to be effective when the REA minimum net worth requirement is not being met.

Policy Effective Immediately

The policy adopted by REA is spelled out in Bulletin 321-2, *Loan Security Requirements For Telephone Loans*. It was announced that the new minimum requirements were effective at once and would be applied to loans in process where practicable.

REA believes the first three of the above factors are essential to

the continued successful operation of the borrowers' telephone systems, and under the policy they will be stressed in determining loan security.

"The telephone market is fundamental to loan security", said REA Administrator David A. Hamil, "because it provides the revenue needed to meet the obligations of the borrower. Another essential factor in loan feasibility is the ability of subscribers to pay rates which will cover the borrower's expenses and permit it to make payments on loans when due.

Quality of Management

"In addition to feasibility, we believe it necessary to give attention to the quality of borrower management and its acceptance of the primary purpose of the telephone amendment to the Rural Electrification Act—the furnishing of good telephone service to the largest practicable number of rural people."

While the new policy provides greater security for telephone loans, it is expected that it will enable some borrowers to meet their initial requirements with less delay.

Said Administrator Hamil, "In many instances this will advance start of construction and speed up our efforts to get more and better telephone service to the people in rural areas. The new policy reflects experience gained by REA and its

telephone borrowers in the conduct of the program and is a direct result of our continuing search for ways to improve our policies and procedures."

As in the past, a lien shall normally be required in the form of a first mortgage on the entire system. Where the borrower is unable to furnish this, some flexibility is permitted, provided the Administrator is assured that other forms of security are adequate and appropriate.

Net Worth Recommendation

REA strongly recommends in the new policy statement that, as a sound management practice, borrowers should build up a net worth adequate to assure a strong financial structure. It recommends that

the terms of which have been approved by REA.

Whenever net worth falls below 10 percent, REA may exercise certain managerial controls over salaries and fees. In addition, REA may appoint a supervisor for non-profit organizations whenever the borrower is in default for 30 days or more on any loan payment.

Sign-up Requirements

Non-profit borrowers, such as cooperatives, limited dividend, or mutual organizations, must satisfy REA that they have signed up for service at least 70 percent of the total number of subscribers estimated in the loan application. At least \$10 must be collected from each unserved signed applicant



borrowers set a net worth goal considerably higher than the minimum loan security requirements stipulated in the mortgage.

Under the new policy, mortgages will prohibit payment of dividends or other distribution of net worth, if such distribution would bring the net worth below 10 percent of the net assets as defined in the mortgage. An exception is made in the case of deferred stock issues,

before REA will make a loan.

When loan applications involve acquisition of existing telephone facilities at a price in excess of REA appraisal, borrowers will normally be required to provide new equity funds to cover the amount in excess of the appraisal. The new policy provides that the Administrator may require borrowers to obtain equity funds whenever essential to loan security.

Do Employee Sales Campaigns Really Work? This Montana Manager Says,

Look At The Record

MARK down another convert to the idea of employee sales campaigns for rural telephone systems. That's B. R. Allen, manager of Mid-Rivers Telephone Cooperative, Circle, Mont.

And it's no wonder he is enthusiastic about the plan. During the first month of the sales campaign, from March 14 through April 9, nine employees brought in \$3,275.60 in additional revenue.

Best part of the picture is the fact that \$3,255.60, or \$271.30 per month, is in recurring charges from new installations, special equipment, extensions, etc. That kind of revenue can make the difference between success and failure for a rural telephone system.

Mid-Rivers serves the rural area of five counties in north-eastern Montana, and part of McKenzie county in North Dakota. The sales plan instituted this spring is similar to the campaign started last summer by Northeastern Montana Telephone Cooperative and Three Rivers Telephone Cooperative. (RURAL LINES, Feb.)

HEART of the sales plan is convincing employees that selling is an important part of their job, and keeping them enthused about the campaign. They are furnished with all facts regarding services, rates, selling tips and other useful information.

Accurate records are kept of each employee's sales, and the full report prominently posted each week. The manager holds frequent meetings both to check results and to re-stimulate interest.

Employees get help in their sales efforts from telephone displays in store windows, posters on system vehicles and in stores, publicity in the local newspaper. All these require very slight cash outlay, so that practically all the revenue brought in through the employees' selling can be chalked up as net gain.

HERE is the record of sales made by the pepped-up staff of the Mid-Rivers Co-op during the first month: Forty-seven new subscribers; 7 extension telephones; 4 hands-free telephones; 1 loud-ringing bell; 1 button buzzer; 2 color sets. The latter were the only sales involving one-time charges.

Manager Allen is naturally pleased by the campaign's great start, and he is determined that it isn't going to stop from inertia. "We have a wonderful bunch of people working here", he says. "This spirit of selling is going to continue until we completely cover all the potential subscribers and have everyone supplied with extensions, special equipment and all the other things that make up adequate telephone service."

A Telephone Veteran Tells How To Use Retirement:

“Build A Model System”

L. JOHN DENNEY and his wife, Rosalind Maynard Denney, make up a husband and wife team for two rural telephone systems in Virginia. How they became interested in REA financing is a story that may encourage other communities that are waiting for modern dial telephone service.

Mr. Denney is an industry veteran with more than 30 years experience in telephony. He started with the Keystone Telephone Company, of Philadelphia. When this firm later consolidated with the Bell Telephone Company of Pennsylvania, Mr. Denney stayed on to work with the Bell system.

From 1945 to 1949 he was with Federal Telephone and Radio Co., a subsidiary of International Telephone and Telegraph Co. Here he learned about the role of the supplier. For two years he was manager for I.T.&T. in Spain. From 1951 to 1954 he served as I.T.&T's consultant for restoring the war-ravaged telephone system in Greece.

RETIREMENT in 1954 did not take Mr. Denney away from the telephone industry. He saw that many Independent telephone systems in rural areas were too small to provide satisfactory service and too small to obtain conventional financing to modernize and expand their systems. But his experience in telephony assured him that there was an interesting challenge to be found and a rewarding job to be done in rural telephony.

“I knew that if I could find a small company in the right location, I could rebuild and operate it as a model system,” says Mr. Denney. “I wanted to do this before I became too old to enjoy it—that is why I asked for an early retirement from I.T.&T.”

Mr. Denney liked Pennsylvania, but Mrs. Denney was born in Wake Forest, North Carolina, and raised in Clayton, just out of Raleigh. The ideal location for their model system, then, was halfway between the two.

AN INTENSIVE search yielded the ideal situation that Mr. Denney wanted. In the counties north of Lynchburg, Virginia, he found two small companies serving rural areas. Adjacent to the existing systems was unserved territory which offered the possibility of expansion. Although the unserved territory had been turned down by other operating companies as too thin to be feasible, Mr. Denney saw in it the possibility of a profitable operation if it could be tied into the richer service area in the small towns and if satisfactory financing could be obtained.

After trying conventional sources, Mr. Denney turned to REA. “I saw that this was the answer to my problem,” he relates. “I was satisfied to put my life savings into the development of modern telephone service for this rural area on the basis of getting an REA loan. The 3-year deferment period offered me time to get the

new facilities into a revenue-producing status. The 35-year span for the financing promised sufficient time to repay the indebtedness. The interest rate makes possible service to rural subscribers who otherwise could not be reached."

In September 1954 Mr. Denney acquired the Amherst Telephone Company and renamed it the Central Virginia Telephone Corporation. An REA loan of \$525,000 in June 1955, made dial service available to 483 additional rural families without telephones in Amherst, Appomattox, Buckingham, Nelson and Rockbridge counties. In December REA made a second loan of \$92,000 for construction of a new commercial office building in Amherst and to complete the system already under construction.

Subscriber sign-up was so rapid that in September 1956, Mr. Denney found it necessary to obtain a third REA loan of \$137,000 to take care of 298 additional rural subscribers not included in original service plans.

Mr. Denney's original investment of his own funds, plus the three REA loans of \$754,000, will make possible up-to-date dial telephone service for 1,300 subscribers. The system will consist of 253 miles of line and dial exchanges in Amherst, Allwood and Gladstone. Cutover is scheduled next month. A fourth dial central office will serve the PABX equipment installed at Sweet Briar College, in Amherst.

Automatic toll ticketing equipment installed at the Amherst exchange will give to the system the latest and most efficient method for this operation.

Encouraged by his experience



Mr. and Mrs. John Denney look on while REA Administrator David A. Hamil signs a loan for more rural telephone service in Virginia.

with REA financing and by the increase in subscribers in the central Virginia areas, Mr. Denney purchased a second system in August 1955. To convert the Raphine Telephone Company from magneto to dial, Mr. Denney borrowed \$250,000 from REA in June 1956, and then \$93,000 more in April 1957.

This system will have a new dial central office at Steele's Tavern, and 150 miles of line to serve 623 subscribers in Augusta and Rockbridge counties.

The Raphine company is not large enough, Mr. Denney points out, to offer a livelihood under separate management. He is operating it as a separate system, using joint headquarters in Amherst for the two companies. This enables him to realize savings in overhead and supervisory expense.

Development of the central Virginia area has had its share of mishaps and hazards. Three months after Mr. Denney purchased the properties around Amherst, Hurricane Hazel roared through the service area and caused \$12,000 damage.

On the whole, though, things have gone better than anticipated. Industry is moving into the area north of Lynchburg, where improved highways, electric power and modern telephone service help create an attractive location. Suburban residents, too, are pushing out of nearby cities and filling in the countryside.

"This calls for higher class of service, and produces more revenue," Mr. Denney points out. "By offering dependable telephone service, a small telephone company can actively encourage growth and development of the community." The Denneys expect their telephone business to grow right along with the communities they serve.

The REA loan application entails a commercial survey. This is necessary to make sure that the system is neither overbuilt nor underbuilt for the traffic it will be called upon to handle. Mr. Denney believes that the commercial survey should be made as a personal, face-to-face count. "Even though that takes more time, it is more economical because it provides an opportunity for anticipating the grade of service that will be expected."

He enlisted the help of rural mail carriers in surveying the area he proposed to serve. His canvass

greatly exceeded the percentage of sign-up and grade of service forecast in the regular tables prepared for commercial surveys. Right-of-way easements were obtained at the time of the sign-up. This saved delays and turned out to be good public relations.

Mr. Denney finds there is more to good public relations than press releases and a pleasant smile for subscribers. "You have to get the feel of the town and then make yourself a part of it. We are very proud of Amherst. When we designed our headquarters building, we spent a few extra dollars to make it conform in architecture to local tradition. Now our headquarters building and grounds of the Central Virginia Telephone Corporation are part of the tour for visitors to the area."

The building may conform to the architecture of an earlier day, but the company's business methods are those of tomorrow. The billing system is a new one designed to save labor and cut costs.

There will be automatic toll ticketing and subscriber toll dialing through Bell facilities. The two companies are serviced by an office staff of three, plus an installing and maintenance staff of five employees.

Meetings of Interest to REA Borrowers

California Independent Telephone Association, Ambassador Hotel, Los Angeles, June 5-7.

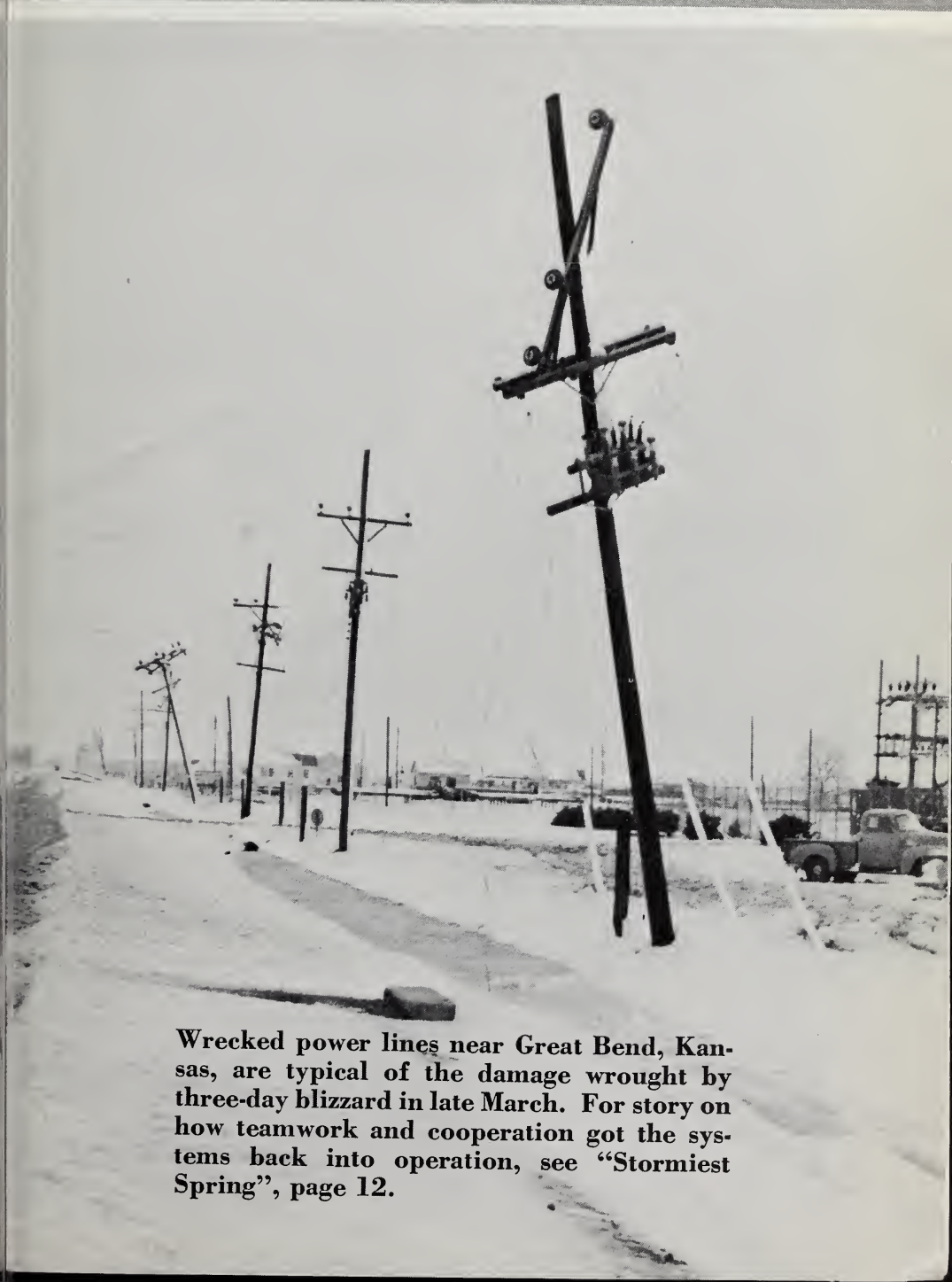
Indiana REA Borrowers, Claypool Hotel, Indianapolis, June 11-12.

Washington Independent Telephone Association and Oregon Independent Telephone Association, Davenport Hotel, Spokane, Wash., June 13-15.

New York State Telephone Association, Scaroon Manor, Schroon Lake, June 17-19.

Rural Lines

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Wrecked power lines near Great Bend, Kansas, are typical of the damage wrought by three-day blizzard in late March. For story on how teamwork and cooperation got the systems back into operation, see "Stormiest Spring", page 12.

Iowa Cooperatives Get Amazing Answers When They Ask:

What's Our Potential?

IOWA co-ops have served notice that they have no intention of sitting by and watching their kwh growth level off.

Iowa Rural Electric Cooperative Association early this year sponsored a series of one-day workshops in each of its seven districts, with potential farm load as the subject under discussion. These workshops drew together 185 co-op managers, electrification advisers and board members to tackle the mounting problems facing the Iowa systems.

Typical of the workshops was the one held at Mt. Ayr, Iowa, in Southwestern Federated Power Cooperative's 14-county area. Several years of drought and the loss of a comparatively large number of consumer-members because of farm consolidation have been cutting into the revenues of the five distribution co-ops in the G & T borrower's area.

ONE OF these—Rideta Electric Cooperative, Mt. Ayr—alone had lost 86 members last year, resulting in a drop of 225,000 kwh consumption. Another loss of about 100 members is feared this year. Because of economic reverses, members are curtailing their kwh use; normal increases in load can't be counted on because farmers' appliance purchasing has slacked off as a result of cash shortages.

Kwh consumption for Southwestern Federated's five distribution members had showed a 9.9 increase in 1955, but only a 7.6 percent increase last year.

"WHAT can be done about it?" was the question facing the 36 people at the Mt. Ayr workshop. Charles Aiken, IRECA's electric use director, got proceedings under way with an outline and review of the electric cooperative situation in the state. Then he discussed how the state association, through its educational program, was prepared to help the local co-ops take corrective action. Included in his presentation were objectives, educational material for members, evaluation of results and a re-appraisal of the situation at the year end.

Robert Turner, REA field representative in Iowa, explained how the Potential Farm Load work would fit into the existing Iowa promotion plan. He showed and explained effective ways of measuring results, including the "moving" annual kwh average. This average of the previous 12 months' figures reflects kwh consumption changes rapidly and levels seasonal effects.

The workshops included a thorough discussion of electric applications that would save labor and increase production, thus easing the farmers' economic difficulties.

WORKSHOP discussions covered the co-ops' 24-hour demand picture and the need to fill in the valleys with special daytime loads and nighttime loads that earn while farmers sleep. Home appliances and farm equipment were classified according to major load characteristics: 100 percent off-

peak, continuous, continuously intermittent and demand load.

On the basis of the facts developed, targets for intensified power use promotional work were set up. These include low-cost, small-horsepower equipment that runs long hours automatically and economically, and nighttime lighting and heating uses of electricity. Special emphasis was on pig brooders, poultry house lights, water warming, crop drying, feed grinding and mixing, and farm building ventilation.

Co-op leaders started calculations on the total kwh potential for each county in their area. Census figures were used as a guide, in calculating tonnage of crops produced and units of livestock raised annually.

Those doing the figuring were astounded by potentials developed. They found that if proper applications of electricity were made in farm production activities, potential load per county ranged from 10 million to 25 million kwh annually. Better yet, in many counties about 75 percent of this potential would be off-peak use.

Co-op personnel and board members left the first workshop convinced that farm load potentials offer tremendous possibilities in helping both farm members and the cooperatives.

With this encouraging picture developed, the co-op representatives in each of the seven districts returned a month later for two-day workshops to draw up definite farm electrification plans by counties.

D. W. Teare, REA power use representative, led the workshop sections where the agricultural sta-

tistics of each county were analyzed. Each cooperative assembled its own basic agricultural statistics by county units. Experienced farmers—the board members attending the meetings—helped make the studies and brought out many points that helped the groups reach practical conclusions.

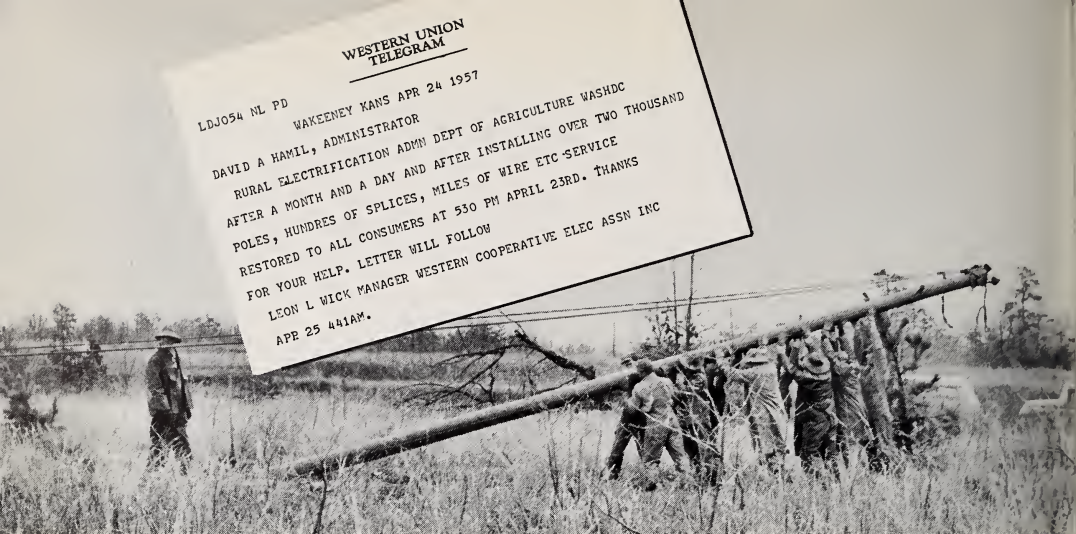
Out of these meetings and studies has come a definite idea of the direction a power use program should follow in each county. First outcome was a two-day feed grinding school for cooperative managers and electrification advisers. Similar schools will be held on other farm applications of electricity studied at the workshops.

As a result of the workshops, which revealed that data on operation costs of farm productive equipment is lacking, co-ops will install equipment and maintain accurate performance records.

Iowa Statewide and the individual co-ops are confident their plan will change their present picture to a rosier hue. With this kind of thoroughgoing planning and cooperation, the odds should be all in their favor.



Planning for the future at an Iowa power use workshop are, from left to right, Kenneth Wilson, Rideta Co-op power use adviser, D. W. Teare and Robert Turner, REA representatives, and Charles Aiken, Iowa Rural Electric Co-op Assoc. electric use director.



Rural Arkansas Photo

Co-op Spirit, Consumer Patience Shine Through Havoc Left by

STORMIEST SPRING

Talk to rural electric and telephone folks in the southern Great Plains and you'll be convinced that there was more lion than lamb to late March this year. And if you inquire further, you'll find plenty of evidence and opinion that the winter and spring of 1956-57 were the costliest ever for rural utility systems.

REA borrowers from New Mexico to Indiana and Georgia to Nebraska lost millions from storms and floods that may have blown some good in ending years-long droughts in the Southwest. Heaviest damage befell rural electric and telephone systems in west central Kansas where the "granddaddy" of all blizzards made a three-day visit March 23-25.

Clean-up work was still in progress nearly two months later on the system of the Central Kansas Electric Cooperative at Great

Bend. Its neighbor, the Western Cooperative Electric Association at Wakeeney, worked a whole month restoring service (see telegram).

The storm cost Central Kansas Co-op more than \$1,000,000 and almost 9,000 broken poles. The transmission lines out of its Great Bend generating plant and all east-west distribution lines went down in high winds after the heavy wet snow had built up to several inches in diameter. Western Co-op lost about 2500 poles and had to rebuild one-third of its 2128-mile distribution system. None of CKEC's 4446 services and only 11 of WCEA's 2140 services survived the storm.

Both borrowers were given REA emergency loans within 48 hours of their telephoned requests. Another emergency loan was made to the Norton-Decatur Electric Cooperative at Norton. The loans

were for amounts of \$750,000, \$300,000 and \$200,000.

Seven other Kansas electric borrowers also had storm damage, but had sufficient reserves to absorb financial losses. Money needs of seven telephone borrowers in Kansas were met through loan budget transfers and earlier processing of pending loan applications.

REA Administrator David A. Hamil got a first-hand view of the tremendous havoc left by the blizzard, and the spirited drive to rebuild the shattered systems, when he kept a long standing date to attend the annual meeting of the Western Co-op April 10. On the way in he visited with folks at Great Bend.

"Several things stand out in the picture I took away from this area," said Administrator Hamil. "One is the devotion co-op employees give to their jobs. They were still in the office at 10:30 p.m., getting ready for the next day's work. Next morning you couldn't find a truck in town after 7 o'clock—all had taken to the road.

"Another is the highly professional manner in which co-op people went about their jobs, whether it was the manager or newest line-man. When you consider that this was even tougher than new construction, that continuing rains made mud holes of roads and fields, and that it was necessary to organize men, trucks, and materials from all over into effective work crews, you have to take your hat off to them. The management at Great Bend, Wakeeney and other co-ops were right on the ball."

Credit also goes to the co-op directors, membership, and other

cooperatives that sent men, equipment, and materials without stint when the call for help came.

C. W. Kraus, president of Western Co-op told members at the annual meeting that due to the location of his farm everyone else would be hooked up before his place was reached. Other boards and managers were just as careful not to play favorites, but arranged the work on the basis of restoring service for the greatest number in the quickest time possible.

Administrator Hamil talked to many members at Wakeeney and found them very considerate. Most recognized the power knockout as an "act of God" and were aware that management and workers were doing their utmost. Only a few consumers, including some on the first lines to be energized, complained about losing service. But the great majority were All-American good sports.

Manager Jack Goodman's first call, made at 2 a.m., Sunday, started wheels rolling in probably the greatest "rescue" operation in rural electric co-op history. Fortunately, Kansas co-ops were ready with a pre-arranged plan, backed up in depth (additional reserves can be called on if a new emergency strikes the home co-op while its men are away helping a sister system). Men were called in from Sunday pursuits, warehouses stripped of materials, and trucks loaded and dispatched into the storm area.

Manager Leon Wick of Western Co-op and several other managers arranged for aerial inspections of damage in areas where roads were impassable. The Wakeeney Co-op used a helicopter as well as air-



Rural Arkansas Photo

Cooperating crew from Mississippi replaces pole on lines of Farmers Electric Cooperative, Newport, Ark. Top of pole snapped off in ice storm.

plane, but Wick was unable to tell his troubles to the world until he reached Goodman's co-op via 2-way radio. Great Bend relayed Wakeeney's appeal at noon and crews from Eastern Kansas began arriving at 2 a.m. the next morning. Before it was over, 300 men were thrown into the 30-day fight to put this co-op back in operation.

Help also came in from Nebraska, Oklahoma, Colorado, and Missouri. The Western Farmers Electric Cooperative, a G & T federation at Anadarko, Okla., halted construction on its new transmission line and released the contractor and his crews for emergency work on Central Kansas' main transmission lines. Other contractors, some from as far as Texas, came in to the area. Suppliers and electric companies were quick to provide needed poles and materials.

Next out of this stormiest spring's bag of foul weather tricks was a quickie blizzard that struck Colorado's Eastern Slope April 2. Men of the Intermountain Rural Electric Association at Littleton worked around the clock for three full days and two nights, putting lines back up. The next day, severe icing hit lines of several Indiana REMC's and a few Illinois co-ops. Again, sister co-ops in Michigan, Kentucky, Illinois and Indiana



Telephone lines suffered in Kansas blizzard, too, as this photo on lines of Gorham Telephone Company shows. Poles are joint use with Southwest Bell.

rushed to the aid of stricken systems.

Later in the month Texas was visited by the heaviest general rains in years and rivers began to go out of their banks all over the State. A dial central office of the Medina Telephone Cooperative at Medina was flooded.

In a preview of disasters to come, a late-January ice storm struck several co-ops in North Texas and then moved into Arkansas. Eight Arkansas borrowers reported \$500,000 damage, making this the costliest single storm to date in their history.

Other borrowers can benefit from these lessons and experiences from the spring storms:

Adequate reserves, such as advance payments to REA, renewal and replacement funds and sufficient working cash, soften the blow.

Groups of borrowers should have a mutual assistance plan ready for emergencies, including a definite agreement on all costs, as Kansas borrowers did. It saved time and money, forestalled many difficulties.

Good member relations reduce the strain of prolonged outages; keep members fully informed.

"Savings" on maintenance, such as tree-trimming and stubbing, will not begin to pay for ice-storm damage; poorly kept right-of-way is a prolific source of trouble in any storm.

Aerial inspection saves time and money. The C.M.S. Electric Cooperative, Meade, Kans., paid \$85 for plane and pilot, estimates savings of at least \$750 because it could spot the best routes for men to use in reaching trouble spots.

Electric Advisory Committee

Discusses Business Security

THE NEWLY appointed electric advisory committee gave general approval to proposed guidelines for long-range system and financial planning for rural electric cooperatives at its meeting in Washington with REA Administrator David A. Hamil in late April.

During the two-day meeting, the committee made comments and suggestions on an REA presentation entitled, "Planning for Business Security."

The presentation, consisting of a combination of narrative and visual aids, will be made by REA personnel to boards and managers of electric borrowers. It is designed to help them draft plans and policies for future service and economic strength. The guidelines are intended to fit in with and supplement management training now being carried on by state and national electric cooperative associations.

In the discussion of business security, the advisory group also approved the suggestion made by several members that electric cooperatives bring younger members on the boards of directors.

Other matters discussed included power supply, accumulation and investment of margins, and loan needs of the program. Increased use of electric power in farming operations, new consumers locating in rural areas, and normal rebuilding of distribution lines were cited as reasons for increased loan requirements.

Following are the members of the advisory committee:

John E. Buck, president, N. W. Electric Power Cooperative, Cameron, Mo.; H. Harold Cash, president, Sheridan-Johnson Rural Electric Association, Sheridan, Wyo.; Edgar H. Collison, manager, Big Bend Electric Cooperative, Ritzville, Wash.; Paul DeBolt, president, Morrow Electric Cooperative, Mount Gilead, Ohio; Floyd Jones, manager, Gibson County Electric Membership Corporation, Trenton, Tenn.; Roscoe F. Keiffer, president, Alfalfa Electric Cooperative, Cherokee, Okla.

Also, John P. Madgett, Dairyland Power Cooperative, LaCrosse, Wis.; Howard McKee, manager, Steele Waseca Cooperative Electric, Owatonna, Minn.; W. G. Newton, manager, South Plains Electric Cooperative, Lubbock, Texas; Harry H. Nuttle, secretary-treasurer, Choptank Electric Cooperative, Denton, Md.; Harry L. Oswald, executive manager, Arkansas State Electric Cooperative, North Little Rock, Ark.; Marshall Pollock, president, Walton Electric Membership Corporation, Monroe, Ga.; Gwyn Price, chairman, North Carolina Rural Electrification Authority, Raleigh, N. C.

Also, Charles M. Stewart, manager, Warren Rural Electric Cooperative Corporation, Bowling Green, Ky.; and Fred Yarrow, president, The C & W Rural Electrification Cooperative Association, Clay Center, Kans.

REA's Retiring "Mr. Retail Rates" Advises Electric Cooperatives To

Keep Competition In Mind

"EVERYTHING I thought I knew about rural electrification 22 years ago turned out to be wrong."

William W. Arnett, Jr., one of REA's oldest employees in point of service, made that frank admission when he retired from regular Government employment on April 30.

Although his early views of REA's outlook were far from optimistic, Mr. Arnett today is about the most enthusiastic person you are likely to find when rural electrification and its benefits to farm people are under discussion.

WHEN he first joined the Rural Electrification Administration in June, 1935, Mr. Arnett still had vivid recollections of his service in the utility field 12 years previously, when rural electrification was a losing proposition. "Farmers in those days used electricity for house lighting only," he says, "and that minimum usage wouldn't pay for the cost of tapping transmission lines. We tried to discourage their requests for service, but sometimes we had to promise service to get right-of-way easement."

So, when he came with the infant REA—one of the first thirty employees to begin work in a converted residence on Massachusetts Avenue in Washington—Mr. Arnett advised that the only way enough revenue could be realized to

keep the lines going was to pick out only the most favorable areas.

Morris L. Cooke, first REA administrator, took a more optimistic view of the revenue potential on an area-wide basis. Mr. Arnett's ability and experience were called upon to work out rate structures that would make electric service feasible for co-ops on an area coverage basis.

FROM the beginning his work was concerned with rate design, and he recalls that in the early days when many new cooperatives were being formed he used to design several rate structures a week. The aim, of course, was to advise the co-ops on rates that were low enough to encourage maximum use of electricity by the farmers, but at the same time high enough to assure the financial soundness of the system.

"REA made a wise decision when it decided in the early days to avoid dictating to cooperatives in setting their rates," Mr. Arnett says. "The people running the co-ops showed excellent judgment. They had, and still have, a sincere interest in building a sound cooperative and keeping satisfied customers."

By 1942 Mr. Arnett was head of the Retail Rate Section, the position he held at the time of his retirement. One of the most important functions of this section is the study of rate revisions. During

Mr. Arnett's time in this work, several thousand rate structures have been reviewed by him and his staff. He says there has been surprisingly little change in base rates over the years, although the average farm revenue per kwh has come down steadily from more than 6 cents to less than 3 cents.

He has seen many changes in the rural electrification picture over the past 22 years. For the first five years of the program the co-ops were "saved" by electric refrigerators which added enough kwh for successful operation; then came electric ranges and electric water heaters, plus the many farm applications of electric power. "You might be surprised to know, however," Mr. Arnett said, "that even today above 75 percent of the co-op's revenue is from usage in residences."

Mr. Arnett is amused when he reads criticism of the amount of work done by Government employees. "I have worked harder in Government than I ever had to in any other job in my life," he says. "This work with REA has also been more satisfying than any other work I have ever done. You can see the tangible results of what REA has done; how it has changed the lives of farmers and brought them opportunities they never had before.

"One of the most important things REA has accomplished has been to help develop the latent business talent of rural people. The farmers have learned to run their electric systems, and many of these have become the principal businesses of the rural communities. I consider the rural electric cooperatives a perfect example of democ-



William W. Arnett, Jr.

racy in action—keeping the control of local business affairs in the hands of local people."

While Mr. Arnett is retiring from his daily routine as a Government worker, he isn't going to rest on his laurels. He has made arrangements to serve REA as consultant on electric rates.

What words of advice does he have for cooperatives after his many years of experience in rate design? He mentions three main points that cooperatives should keep in mind:

1. Good rate design creates good consumer relations; as far as possible, avoid charges that create opposition;
2. In designing rates keep in mind the competition of fuels, especially in cooking, water heating and house heating;
3. Don't keep a rate reduction a secret; publicize reductions in order to capitalize on the resulting good will and increased usage.

The average farm consumer served by an REA borrower used 269 kwh of electricity per month during 1956. This was double the average monthly consumption per farm consumer for 1949.

WHAT'S NEW

in

ELECTRIC OPERATIONS?

Providing electric borrowers with ways and means of attaining more efficient and economical operation is a continuing aim of REA's Electric Operations and Loans Division. This is the third of a series of articles on subjects under study and development by this Division.



POWER REQUIREMENTS SECTION is responsible for making realistic estimates of future loads to provide borrowers with information on which to base their planning. Following is a resume of special studies now under way by this section.

Effect of Rate Changes on KWH Consumption

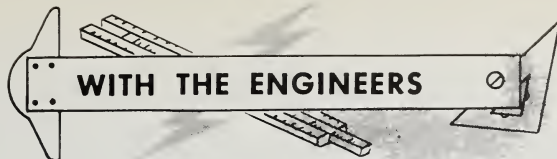
Continuing studies are being made of the effect a change in retail rates would have on the usage of electricity. With a limited staff making these studies, it has been necessary to eliminate as many involved factors as possible. This has been done in part by pairing systems which are about equal in agricultural economic aspects, then studying the rate of growth of a system with a changed rate schedule as compared with a system that has not changed rates.

Data obtained from these field studies are computed to indicate percentage increase in kwh usage after a rate change, compared to kwh usage on like systems having no rate change.

How Length of Time of Service Affects KWH Consumption

One of the many factors having a definite bearing on usage of electricity is the length of time farms have received central station service. Studies are now being made of the operating histories of 132 co-operatives located in varying types of farming areas such as dairying, grain and livestock, cotton, general crops, etc., to determine what effect length of time of service has on the usage levels of electricity.

Preliminary indications are that the increase in kwh consumption has a tendency to slow down after 12 to 15 years of continuous electric service. These studies should be completed within the next six to eight months. Results will be published as soon as possible.



Poles should be handled carefully and stored properly—well off the ground with adequate supports.

The architect's competency is reflected in the appearance, quality, and efficiency of completed buildings.

When hot line work is done, it must be planned and executed step by step to do the job safely.

Right-of-way maintenance must be planned systematically to prevent unnecessary costs.

Lightning arresters cannot protect reclosers adequately unless the oil and insulation are maintained in good condition.

South Carolina Co-op Dedicates New Building

The new headquarters building of the Pee Dee Electric Cooperative, Darlington, S. C., was opened this spring with a two-day observance of the occasion.

About 100 representatives of cooperatives from all parts of the state attended ceremonies when the new building was dedicated to the memory of the late Jeter A. Harrell, longtime REA field representative in South Carolina.

On the following day members of the community and the surrounding area attended an open house held by the cooperative.



Photos courtesy South Carolina Electric Co-op News

Shown at left is the new headquarters building of the Pee Dee Electric Cooperative, Darlington, S. C., dedicated in ceremonies this spring. Right photo shows Mrs. Jeter A. Harrell accepting a scroll dedicating the new building to her late husband. Making the presentation is Manager Thomas R. Boseman, center, as President T. E. Wilkes looks on. Mr. Harrell's portrait hangs on the wall above the dedication plaque.



Off-The-Job Safety

REA's safety engineers remind borrowers that off-the-job safety for employees is as much a responsibility of management as is the promotion of safe working practices.

As mentioned previously in these columns, "safety depends on management and must filter down through the ranks from the top." (RURAL LINES, Jan.) Employees' safe practices off the job are a direct reflection of management's attitude toward safety on the job.

The safety engineers say that the old admonition "do as I say, not as I do" simply won't work in teaching safety. Employees believe what they see far more readily than what they hear, so safe working and safe thinking can best be taught by example.

To really get across the safety message, the engineers recommend that management get all employees into the safety act. Make them an important part of the team by having employees work with management in investigating accidents, in making safety inspections and in developing programs to promote safe working practices. In other words, management should give employees the problems, not hand them the answers.

When employees take active part in system safety programs they soon discover that accidents do not happen because of any unusual hazards or particular operations of a utility. Just as in other industries, injuries to utility personnel are due to hazards that are of human origin and can be controlled by human means.

After employees become safety conscious about their work they carry their safety practices off the job. That attitude will affect off-the-job driving and will even change the safety pattern in employees' home life. Active participation in system accident investigations give a vivid picture of the expense and misery caused by injuries and will make employees more careful to preserve their status as family breadwinners.

Safety leadership is one of management's responsibilities. Accepting that responsibility to help eliminate both on-the-job and off-the-job injuries means that management is performing two important functions. It is protecting the electric system from economic loss, and it is displaying a humanitarian interest in the welfare and well-being of its employees.

USDA Honors Six REA Employees

Six employees of REA received Superior Service Awards from the U. S. Department of Agriculture at presentation ceremonies held in May. The employees, their duties with REA, and the bases of their awards are:

John V. Buscemi, transmission engineer, and Thomas J. McDonough, system design engineer, were recipients of a dual award for their work in developing the area coverage design section of the REA Telephone Engineering and Construction Manual. This section is described in the award citation as "a major engineering contribution to the REA telephone program." Mr. Buscemi joined REA in December 1949. He received his degree in electrical engineering at New York University in 1942. Mr. McDonough was graduated from Case Institute of Technology in 1947, and earned his master's degree in electrical engineering at Stevens Institute of Technology. He joined the REA staff in January, 1950.

Alexander M. Casanges, head of the voucher examination and employees account section of REA's administrative and loan accounting division, received the award for his work in increasing the efficiency, output, effectiveness and morale of his unit. Mr. Casanges, a veteran of more than 30 years of Government service, has been with REA in his present post since October, 1952. He was graduated from George Washington University in 1926 with a degree in natural sciences.

Milton A. Chase, assistant chief (generation) of REA's electric en-

gineering division, was honored for his engineering work in the field of generation and transmission which has contributed to increased availability and lowered cost of electric power to farm people. Mr. Chase first joined REA as an engineer trainee in 1937 and has served continuously with the agency since that time except for two and one-half years with the Bureau of Ships during World War II. He earned degrees in electrical engineering at the College of the City of New York.

Fred J. Hartt, operations field representative in the state of Washington, received his award for his work in developing management improvement programs and in applying management techniques to the problems of delinquent borrowers. He has been with REA for 16 years. Prior to joining REA, Mr. Hartt had for 16 years been employed by the Mountain States Power Company, his last position being that of business manager.

Robert H. Robinson is a management engineer engaged in organization and methods work for REA. His award is based on the many improvements in line and staff operations that have resulted from his work in management programs. He was recently given a cash award by REA for his outstanding work performance. Mr. Robinson, a graduate of Cornell University with a degree in economics in 1938, joined REA in 1940 as an economic analyst. Since that time he has held various positions with increasing responsibilities.

POWER USE EXCHANGE



"You can clean the barn in your Sunday suit", said one of 45 farmers who attended an electric barn cleaning tour recently sponsored by **P. K. M. Electric Cooperative**, Warren, Minn. Three different types of electric barn cleaning installations were seen in operation during the tour.

One of the features of the annual meeting of **East Central Oklahoma Co-op**, Okmulgee, in April was exhibition of a complete water system for making farm pond or lake water suitable for human consumption. A cooperating electric dealer exhibited the system consisting of pressure tank, two filter tanks, alum feeder, chlorine feeder, motors and controls.

Infrared heat brooders have saved 195 pigs over a five-year period, reports Oliver Farmer, member of **Mecklenburg Electric Co-op**, Chase City, Va. At an average of \$10 per pig, that's a saving of \$1950. "Electric pig brooders to me mean the difference between a good litter of pigs or no pigs at all", Mr. Farmer told *Rural Virginia*.

Traverse Electric Co-op, Wheaton, Minn., has appointed a home service director to its staff to con-

duct cooking and freezing schools and other demonstrations in cooperation with the electric dealers of the service area. She will also aid members in the operation of new appliances and assist home agents in their work.

A special insert in *Along The Line*, newsletter of the **Edgecombe-Martin County EMC**, Tarboro, N. C., announced a special 60-day electric range promotion in cooperation with Tarheel Plan dealers. Features of the promotion are free installation, including all the rewiring necessary, and 125 free kwh a month for four months. Requirement for special deal is that range be member's first one or that it replace a fuel-burning stove. The twelve cooperating dealers were featured in the insert.

The **Kansas Farm Electrification Council** has completed its *Directory of Farm Applications*, a tabulation of unusual and profitable uses of electricity by farmers throughout the state. All power suppliers and all county extension offices have been provided with copies of the directory. Through it they can quickly locate and contact anyone using electricity in a particular application.

Harmon Electric Association, Hollis, Okla., has started a Section 5 loan program that will be backed up by a complete promotion plan with cooperating dealers. The co-op will carry out the advertising and promotion activities, dealers will work along by agreeing to carry adequate stocks, provide quality service, make on-the-farm calls and make full use of promotion materials supplied to them.

Appalachian Electric Co-op, Jefferson City, Tenn., reports excellent attendance at its recent series of 14 home laundry demonstrations in its demonstration room. Practically every make of laundry equipment was on display and used in the demonstrations presented by a TVA home economist.

Clark Rural Electric Co-op, Winchester, Ky., reports 1846 bags of bulbs sold by school students in 1956. There were six bulbs per bag, selling for \$1. Students received 25 cents for each bag sold, plus a free magic ball lamp for every ten bags sold. In previous year co-op employees sold 1153 bags of bulbs and magic ball lamps at combined price of \$2.88.

During the first eight days of exhibition, more than 15,000 people visited the all-electric "talking house" near Lafayette, La. Electricity for this model home is supplied by **Southwest Louisiana Electric Membership Corporation,** of Lafayette. Home is result of cooperation among developers, builders, appliance dealers and home decorators of the area.

Smart public relations move was a recent banquet given by **FEM Electric Association,** Ipswich, S. Dak., for the publishers and bankers in its service area. The guests and their wives heard from the Co-op manager and directors the true story of the cooperative, its importance to the economy of the area and tentative plans for future expansion.

South Dakota Vo-ag Text

A 17-chapter textbook on rural electrification is being presented by South Dakota rural electric co-ops to Vo-ag departments in their areas. Vo-ag instructors and rural electrical personnel cooperated in preparing the textbook and a manual for instructors. This material will aid the 73 Vo-ag instructors in the State to teach the 3,000 Vo-ag students better use of electricity on the farm and in the home. Contents include: lighting, resistance heating, motors, electronics and controls, wiring, water systems, brooding, ventilation, farm shops, dairying, crop conditioning, feed processing, irrigation, and appliances.

REA Electric Borrowers:

Have you completed and returned REA's request for information on your Construction Plan and Loan Requirements for next year?

If not, please complete and return as soon as possible. REA needs this information for intelligent and adequate program planning.

Information and assistance in completing the form may be obtained from your field representative or area office.

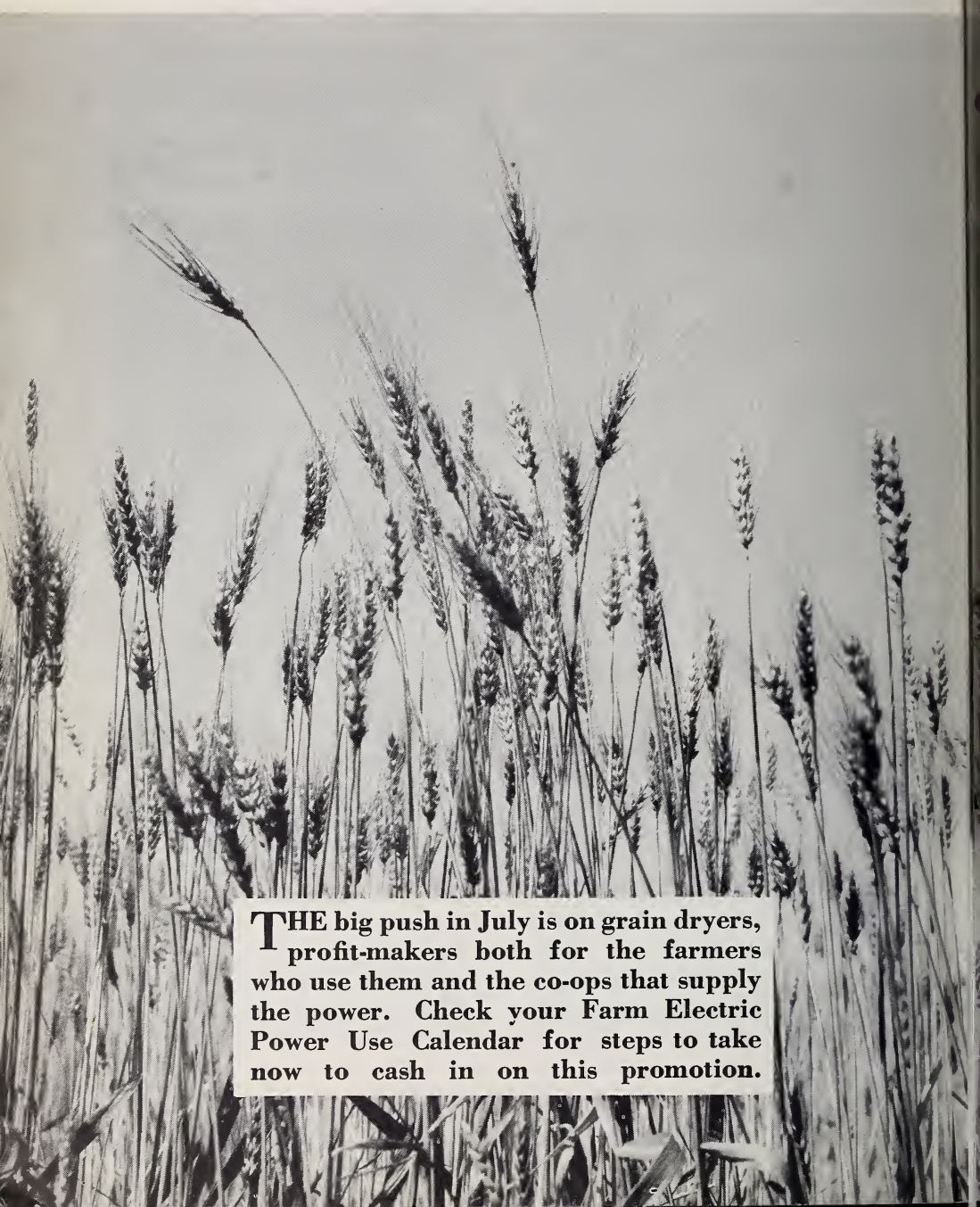
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THE big push in July is on grain dryers, profit-makers both for the farmers who use them and the co-ops that supply the power. Check your Farm Electric Power Use Calendar for steps to take now to cash in on this promotion.